



PERSI

Public Employee Retirement System of Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
607 North 8th Street
BOISE, IDAHO 83702

MINUTES

OF
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m., May 22, 2001. The following members were present:

Jody B. Olson
Dennis L. Johnson
Susan K. Simmons
J. Kirk Sullivan

Trustee Pamela I. Ahrens joined the meeting by telephone. Executive Director Alan H. Winkle, Deputy Director Ted Aho, Deputy Attorney General Brad Goodsell, Financial Officer James Monroe, Chief Investment Officer Robert Maynard, Medical Advisors B. Strouth, John Mather, and Administrative Assistant Rose Marie Sawicki were also in attendance. Other persons attending portions of the meeting were:

Doug Dorn	Dorn, Helliesen & Cottle
Richelle Sugiyama	Dorn, Helliesen & Cottle
Rod MacKinnon	Mountain Pacific Investment Advisors
Charlie Brown	Retired Teachers Association of Idaho
Brent Nye	Boise School District
Brian McGrath	DB Fitzpatrick & Co.
Dennis Fitzpatrick	DB Fitzpatrick & Co.
Cody Barney	DB Fitzpatrick & Co.
Robert Schmidt	Milliman USA
Blas Telleria	Boise Education Assn.
Marta Watson	Division of Financial Management
Carol Boylan	PERSI
Rhonda Yadon	PERSI
Judy Aitken	PERSI

EXECUTIVE SESSION:

Chairman Olson noted for the record the necessity to hold an executive session to discuss matters exempt from disclosure as provided in Chapter 3, Title 9, Idaho Code and that Idaho Code §67-2345 (1)(d) authorizes the same. By motion duly made by Trustee Simmons, seconded by Trustee Sullivan and unanimously approved, the Board went into executive session at 8:28 a.m.

After discussion of each disability application, the Board resumed the regular session at 8:34 a.m. By motion duly made by Trustee Johnson and seconded by Trustee Simmons, the Board unanimously approved the disability application of Cynthia Mital with a review in one year. In the same motion, the applications of Marianne Anthony, Roy Applewhite and Sharon Kaufman were denied, not meeting the requirements of the PERSI plan.

OLD BUSINESS:

Approval of the Minutes: By motion duly made by Trustee Sullivan and seconded by Trustee Johnson, the Board unanimously approved the minutes of the April 24, 2001 regular meeting of the Retirement Board.

PORTFOLIO

Investment Consultant Contract: The Board had previously received a copy of the proposed Investment Consultant Agreement with Dorn, Helliesen and Cottle, Inc. The Chairman noted that we are bringing Richelle Sugiyama in house to work with Bob Maynard and this contract will provide the additional consulting services we need. The new contract was signed by the Board members.

Monthly Portfolio Mr. Maynard reviewed his May 21, 2001 PERSI Investment Report which contained the following CIO Comment:

The market has gone into sort of a “holding pattern.” Most economic news is seen in both a positive and negative light. For example, the market is expecting something between a 25 and 50 basis point cut at the next Fed meeting (a 50 basis point cut is seen as better for the market). Thus, news that the economy is firming (such as higher consumer confidence numbers) helps in underpinning hopes for future earnings, but hurts because it lessens the chance of a larger Fed rate cut. The portfolio is still in a slightly defensive position. Over the past months, the portfolio has captured about 90% of the market return—good when the market declines (thus we only lose .9% for every 1% market decline), but that also means that we will not capture any near term sudden market rise.

At negative 2.1% PERSI is 103% funded. In response to a question from Chairman Olson, Mr. Maynard said PERSI is not committed to new power plants through IDA West. Mr. Maynard reviewed the Russell Mellon Analytical Services report for May 22, 2001 which had previously been furnished to the Board.

Portfolio Report: Doug Dorn of Dorn, Helliesen and Cottle reviewed his report for the period ended April 30, 2001, which had previously been furnished to the Board. The report showed a total fund return of 4.4% for the month of April 2001. Other returns for the fiscal year-to-date included Total U.S. Equity—11.0%; The Total Global Equity— 7.9%; Private Equity portion— 7.8%; Real Estate a positive 10.1%; and the Total Fixed Income portion a positive

11.2%. Diversification of the portfolio has reduced the impact of market volatility on the total fund.

Asset Allocation Study. Mr. Dorn reviewed the Asset Allocation Study Report dated May 3, 2001. He had previously met with three of the Board members individually to explain the report. The summary of the report states, in part:

We find that the PERSI current target and actual asset mixes are optimal, offering the maximum expected return for the given level of risk. We have proposed maintaining the current target which is identical to Mix 7. We have also presented Mix 8 which is a viable option offering a higher expected return. Mix 6 is also presented as a less aggressive candidate, but it also has a lower return which is less desirable...

Other Investment Business: Chairman Olson opened the floor to comments from managers who were attending the meeting. Dennis Fitzpatrick introduced Cody Barney, a new employee at D.B. Fitzpatrick and Company. Trustee Johnson was excused from the remainder of the meeting at 9:13, because of a previous obligation.

FISCAL

Expense Reports: Financial Officer James Monroe reviewed the Portfolio and Administrative Expense Reports for the month of April 2001. He reviewed his May 16, 2001 memorandum to the Board, which discussed the electronic fund transfer of employer contributions and noted that the Galena phase 2.5 which is the new transmittal system, is being implemented. He also told the Board that some top management changes had occurred at Mellon Bank. According to Lucinda Smith, our Client Service Officer, this should not have an impact on PERSI.

Senior Accountant Rhonda Yadon reviewed the unaudited Financial Statements for the quarter ended March 2001

EXECUTIVE DIRECTOR

New Employer Unit: By motion duly made by Trustee Ahrens seconded by Trustee Simmons and unanimously approved, the Board welcomed Priest lake Public Library as a PERSI employer with an effective date of May 1, 2001.

Status Update: The Board had previously received the monthly status memo that summarized the projects in which PERSI is involved. Mr. Winkle announced that the final phase of the Galena project had been put into production and the warranty period has commenced. This memo also reported on the education program, investment management, voluntary contributions and programming changes of the Gain Sharing Choice Plan. It was noted that work has begun on the annual statements and data reporting to Milliman USA. The Board was advised about the work on the Internet/intranet at PERSI, the data cleanup project, statewide employer meetings as well as a training and recognition session on June 12. There was some discussion of how the voluntary contributions will work and how the Idaho Super Saver program will work with the Choice plan. Mr. Winkle told the Board he is traveling to Missouri and to

Chicago to discuss the Gain sharing Plan with the Missouri School Employees Retirement System and with participants at a Mercer Roundtable.

Adjournment: There being no further business to conduct, by motion duly made by Trustee Sullivan, seconded by Trustee Simmons and unanimously approved, the meeting was adjourned at 10:15 a.m.

FUTURE BOARD MEETINGS

Tuesday, June 26, 2001, 9:30 a.m., Twin Falls, Idaho – Best Western Cavanaugh's

Tuesday, July 24, 2001, 8:30 a.m., Boise - PERSI office - CANCELED

Tuesday, August 21, 2001, 8:30 a.m., Boise - PERSI office

Jody B. Olson
Chairman

Alan H. Winkle
Executive Director